

STATE OF MAINE
PUBLIC UTILITIES COMMISSION

Docket No. 98-598

August 10, 1998

HOULTON WATER COMPANY, ELECTRIC DEPT.
Investigation of Stranded Costs,
Transmission and Distribution
Utility Revenue Requirements, and
Rate Design

NOTICE OF
INVESTIGATION

WELCH, Chairman; NUGENT, Commissioner

I. SCOPE OF INVESTIGATION

As part of our electric restructuring obligations, the Commission must conduct an adjudicatory proceeding to determine stranded costs for each electric utility in the state, including the state's consumer-owned utilities (COUs). 35-A M.R.S.A. § 3208(8). In the same proceeding, we will establish the revenue requirements and stranded cost charges for each transmission and distribution utility at the time retail access begins on March 1, 2000. With this Notice, the Commission initiates a proceeding to investigate these matters for Houlton Water Company.¹ Pursuant to 35-A M.R.S.A. § 3209, we will also investigate the rate design necessary and appropriate to recover transmission and distribution utility revenue requirements and stranded costs. As required by 35-A M.R.S.A. § 3209(2), this investigation will include setting T&D rates for backup and standby service.

II. OPPORTUNITY TO INTERVENE

Any person who wishes to participate in this proceeding as a party must file a **petition to intervene** with the Commission's Administrative Director, Public Utilities Commission, 242 State Street, 18 State House Station, Augusta, ME 04333-0018, by **August 25, 1998**. Copies of the petition should also be sent to John L. Clark, General Manager, Houlton Water Company, Electric Dept., 21 Bangor Street; P.O. Box 726; Houlton, ME 04730.

Petitions to intervene must be in writing and state the name and docket number of this proceeding and how the petitioner is affected by the proceeding. The petition should also include a short and plain statement of the nature and extent of the

¹Notices initiating similar investigations are being sent to each COU today. As described in Section IV, we will consider processing all COU cases as one consolidated proceeding. For administrative convenience purposes, we generically refer to the subject utility Houlton Water Company, Electric Dept., also as "COU" in this Notice.

participation sought, and a statement of the nature of the evidence or argument the proposed intervenor intends to submit. Shortly after the deadline for petitions to intervene, the Commission will send to each proposed intervenor a copy of the service list in this case.

Objections to petitions to intervene must be made in writing by **September 3, 1998**. Persons that do not want to be a party but wish to monitor the proceeding may request to be placed on the Commission's interested person list by contacting the Commission's Administrative Director at the same address listed above.

III. PRELIMINARY SCHEDULING ISSUES

The Commission expects the COUs to file their cases not later than **October 15, 1998**. The Commission has identified four major components to the COU's case in this proceeding:

1. Stranded costs;
2. T&D revenue requirements;
3. T&D rate design; and
4. Stranded cost rate design.

35-A M.R.S.A. § 3201, et seq. requires that the Commission provide the T&D utility with a reasonable opportunity to recover stranded costs. To the extent they otherwise qualify for recovery, stranded costs associated with a utility's generation assets will be calculated by taking the difference between the net plant investment of the asset and the market value of the asset, while stranded costs for a utility's purchased power contracts are based on the difference between the future contract payments and market value of the contract. 35-A M.R.S.A. § 3208(2). As part of its stranded cost filing, the COU should include its best estimate of the market value of its generation assets and contracts based on currently available market information. Such estimates should reflect the maximum market value of a facility or contract under a reasonable set of investment and operating scenarios. The stranded cost filing should also clearly identify any amount of stranded costs attributable to Maine Yankee.

The T&D revenue requirement filing should generally comply with the provisions of Chapter 120 of the Commission's Rules.² The filing should clearly identify how all assets and liabilities, overheads and other joint and common costs of the COU are being allocated among its core T&D business, other non-core ventures, and the generation business.

²The COU, however, need not file replacement schedules as required by Section 3 of Chapter 120.

IV. PRE-HEARING CONFERENCE

A **consolidated pre-hearing conference** on all of the COU stranded cost, T&D revenue requirement cases will be held on **September 4, 1998 at 1:30 p.m.** in the Commission's Hearing Room. The purpose of this conference will be to discuss the schedule and processing of this case, to address any objections to petitions to intervene in this matter and explore the opportunities for possible efficiencies by conducting joint proceedings in the COU cases.

V. NOTICE OF PROCEEDINGS

The Administrative Director shall serve a copy of this notice on those persons included in the restructuring service list. In addition, the Administrative Director shall place the attached notice in newspapers of general circulation in Houlton Water Company's service territory.

Dated at Augusta, Maine this 10th day of August, 1998.

BY ORDER OF THE COMMISSION

Dennis L. Keschl
Administrative Director

COMMISSIONERS VOTING FOR: Welch
Nugent

NOTICE OF RIGHTS TO REVIEW OR APPEAL

5 M.R.S.A. § 9061 requires the Public Utilities Commission to give each party to an adjudicatory proceeding written notice of the party's rights to review or appeal of its decision made at the conclusion of the adjudicatory proceeding. The methods of review or appeal of PUC decisions at the conclusion of an adjudicatory proceeding are as follows:

1. Reconsideration of the Commission's Order may be requested under Section 1004 of the Commission's Rules of Practice and Procedure (65-407 C.M.R.110) within 20 days of the date of the Order by filing a petition with the Commission stating the grounds upon which reconsideration is sought.
2. Appeal of a final decision of the Commission may be taken to the Law Court by filing, within 30 days of the date of the Order, a Notice of Appeal with the Administrative Director of the Commission, pursuant to 35-A M.R.S.A. § 1320 (1)-(4) and the Maine Rules of Civil Procedure, Rule 73 et seq.
3. Additional court review of constitutional issues or issues involving the justness or reasonableness of rates may be had by the filing of an appeal with the Law Court, pursuant to 35-A M.R.S.A. § 1320 (5).

Note: The attachment of this Notice to a document does not indicate the Commission's view that the particular document may be subject to review or appeal. Similarly, the failure of the Commission to attach a copy of this Notice to a document does not indicate the Commission's view that the document is not subject to review or appeal.

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The Legislature recently passed a law to restructure the electric industry. Beginning on March 1, 2000, all consumers will have the right to purchase generation services directly from competitive electricity providers. As part of the restructuring process, the Maine Public Utilities Commission (MPUC) is required to conduct an adjudicatory proceeding, in accordance with the Maine Administrative Procedure Act, to determine a utility's stranded costs (costs made unrecoverable by restructuring), the revenue requirements for the monopoly transmission and distribution company, and to design the rates necessary and appropriate to recover these charges. On August 10, 1998, the MPUC initiated a proceeding to investigate these matters for Houlton Water Company, Electric Dept.

To present your views in this case, you may participate in one of two ways:

1. You may petition to intervene. If your petition to intervene is granted, you will be a party with the right to participate formally in the hearings and in negotiations. Your petition must be made in writing and must state the name and docket number of this proceeding, and the manner in which you are affected by the proceeding. Your petition must also include a short and plain statement of the nature and extent of the participation you seek, and a statement of the nature of the evidence or argument you intend to submit. Your petition must be received by the Administrative Director, Public Utilities Commission, 242 State Street, Augusta, Maine 04333, no later than August 25, 1998. You must send a copy of your petition to John L. Clark, General Manager, Houlton Water Company, Electric Dept., P.O. Box 726, Houlton, ME 04730. For those people who wish to intervene, a pre-hearing conference has been scheduled for September 4, 1998 at 1:30 p.m. at the Commission's offices at 242 State Street, Augusta, Maine. If your petition is denied, you may still request that your name be placed on the Commission's mailing list for this case as described below.

2. You may request that your name be added to the mailing list as an interested person. If your name is added to the mailing list as an interested person, you will receive notice of the time and place of any hearings, including public witness hearings, held in this case.

THE COMMISSION WILL NOT PUBLISH ANY FURTHER NEWSPAPER NOTICES OF THIS PROCEEDING OR ANY HEARINGS.

If you need more information about which method of participation you should choose, write to the Administrative Director at the above address or call (207) 287-3831.

Title 35-A of the Maine Revised Statutes and Commission Rules will govern this proceeding.